

Schools national funding formula

Government consultation – stage one

The stage one consultation on the Government's national funding formula opened on 7 March 2016. The consultation seeks views on the principles that should underpin the national funding formula for the schools block and on the range of factors that should be included in the formula.

Alongside this, but separate, will be the consultation on the high needs block.

The consultations will run for six weeks, closing on 17 April 2016.

The stage two consultation is expected later in the year, which will provide details about the weightings between these factors and the impact of these for schools in different parts of the country.

A further consultation on the early years funding block is also expected.

The funding proposals need to be seen in the context of the Government's White Paper: *Educational Excellence Everywhere*, published on 17 March, in which Section 8 focuses on the implementation of the national funding formula and the use of resources.

Full details of the consultation can be found at:

<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula>.

Further information on school funding can be found on the NASUWT School Funding webpage at: www.nasuwt.org.uk/SchoolFunding.

Implications for school leaders

NASUWT school leader members will want to consider the potential impact of the Government's proposals on their school, academy or academy trust.

In the first instance, school leaders should seek information about any consultation responses being prepared by their local authorities, schools forums and, where appropriate, academy trust.

The Department for Education (DfE) invites responses to the school funding consultation from schools. School leaders may wish to discuss with their governing bodies whether a response on behalf of their school is appropriate. The NASUWT recommends that responses made by individual schools/employers should be developed in consultation with staff and with the NASUWT.

Main points in the consultation

The Dedicated Schools Grant will be made up of four funding blocks:

- schools block – for pupils in maintained schools and academies;
- high needs pupils – for children with special educational needs (SEN) and disabilities in special schools, Pupil Referral Units and alternative provision, and for top-up funding for school-based SEN pupils;

- early years – for pupils aged 2-5 years in maintained, independent and voluntary settings and childcare;
- central – for local authorities to fund their statutory and regulatory responsibilities for admissions, asset management and pupil welfare. The funding for the central block will take into account the cuts to the Education Services Grant, and local authorities will not be funded to provide school improvement services from the end of 2017/18.

The proposals will be for the schools block to be distributed on the basis of a 'soft' formula for 2017/18 and 2018/19 with distribution through local authorities using the local formula. This will be calculated by aggregating the school budgets and passing this to the local authorities.

From 2019/20, there will be a 'hard' formula with distribution of funding direct to schools, bypassing local authorities.

The four funding blocks will be baselined in regard to local authorities' current spending. This is intended to minimise 'cliff edges' and take account of actual spend. The process to establish these baselines has already commenced.

An 'Invest to Save' fund will be established to which schools can bid for financial assistance with restructuring.

The Government intends to prohibit the use of a post-16 factor in the formula.

The -1.5% Minimum Funding Guarantee (MFG) will be maintained on the aggregated schools block in the first two years, although there will be a cap on gains to ensure that the total funding remains the same.

It is proposed that all the money in the schools block must be delegated by local authorities to schools. Although the amount delegated can be more, it cannot be less.

There are no proposals to change the Pupil Premium. However, there is a proposal to extend the Pupil Premium for looked-after children and to remove looked-after children as a factor in the funding formula.

DfE Principles for Fair Funding

The NASUWT has agreed a number of key tests which should be applied to the consultation, including the DfE's proposed principles on fair funding.

The DfE consultation document sets out the Government's seven fair funding principles as follows:

- Supports opportunity. Fundamentally, the funding system should support schools and local authorities to extend opportunity to all pupils to achieve their potential;
- Is fair. It should allocate funding to schools and local authorities on the basis of objective measures of the needs and characteristics of their pupils;
- Is efficient. It should support efficiency within schools and local authorities, and across the system as a whole;
- Gets funding straight to schools. It should maximise the resources available for teaching and learning and enable headteachers and local authorities to achieve value for money;
- Is transparent. It should be easily understood and justified;
- Is simple. It should rationalise funding streams as far as possible;
- Is predictable. It should ensure schools and local authorities can manage and plan for year on year changes.

The Government's funding principles are not satisfactory to the NASUWT.

The NASUWT believes that the principles underpinning the national arrangements for the funding of schools should also confirm that the funding system will ensure:

- a. the provision of, and access to, high-quality education and related support services for children and young people, including vulnerable children – this is particularly important in the context of ensuring high-quality support for children, young people and families, which has historically been provided by local authorities;
- b. the entitlement for all learners to be taught by qualified teachers – the failure to recognise this could trigger a race to the bottom in terms of the funding of schools and future funding assumptions being predicated on assumptions about the cost of cover supervision (for example) rather than the cost of high-quality teaching;
- c. local circumstances and needs, and the expectations on schools and local authorities, are appropriately considered and taken into account. Whilst the needs of individual pupils should be an important consideration in the funding of schools, it should not be the primary consideration. The local context, including local area needs and circumstances, has an important bearing on how schools operate and the support they are able to call upon, as well in terms of how barriers to learning can be addressed;
- d. the quantum of funding is sufficient and that the global amount available for the funding of schools takes full account of education priorities and needs and promotes fairness, equity, inclusion and social cohesion – as there is no new money for schools and at a time of a continued and deepening public sector financial austerity programme by the Government, many areas and schools risk losing substantial levels of revenue as a consequence of the Government's so-called fair funding settlement. Neither can it be assumed that those schools that 'gain' from the new formula will have sufficient funding to meet the needs of the pupils they serve and there is no confirmation yet on the timescale for delivering any additional budget allocations to these schools;
- e. changes to the funding for schools do not result in detriment to colleges or early years provisions, which are also essential in providing education for school-aged pupils – the Government is determined to level down rather than level up the funding of schools in order to deliver equal treatment of schools. Neither does the Government make clear how schools would be protected against serious levels of financial turbulence which could adversely impact the stability of teaching and learning provision for pupils;
- f. funding allocations are responsive to changing needs and circumstances – the Government has already been heavily criticised for the failure of its workforce planning, while according to the National Audit Office, 'the Department has a weak understanding' of local contextual issues and circumstances and 'the Department does not yet have the information it needs' to support national planning and distribution across 20,000 schools. There is no evidence that the DfE has assembled the information and intelligence arrangements necessary to replace the function previously provided by local authorities in the application of local formula distribution;
- g. consultation and democratic involvement at national, local and institutional levels, including full recognition of school workforce trade unions. The DfE's principles seek to deny democratic entities, including local authorities, any role in the future funding of schools. This could seriously impede the ability

of schools to collaborate and pool resources, undermine the future role of schools forums, and remove local democratic accountability of school-based education to parents/carers and to the general public.

Safeguarding funding allocations to schools

Schools may have differing views on changes to the national funding formula depending upon their relative position currently in the funding tables. However, it is important to exercise caution by not agreeing to the principles set out in the stage one consultation whilst details on the weightings of the formula factors are not yet known.

The NASUWT is encouraging schools and local authorities to press the Government to set out how it will fund the transitional arrangements, and questions whether the DfE's assumptions about transition, and what this may mean for schools, are clear and credible.

In the Chancellor of the Exchequer's Budget Statement in March, the Government announced an additional £500m to speed up the implementation of the formula. Schools should seek clarification from the DfE about how the additional £500m will be allocated across the country and what this will mean for individual schools.

The NASUWT is also concerned that the launch of the consultation on reforms to the system of school funding may exacerbate concerns in some schools about their financial viability in the longer term. However, it should be borne in mind that no decisions have yet been taken about how the formula will work in practice. Schools should avoid making premature decisions to not fill staffing vacancies or on the issuing of redundancy notices.

The NASUWT, in its response to the consultation, will make clear to the DfE its concerns that the Government has failed to protect school budgets in real terms, and the Union will also highlight the risk that the consultation will create increased financial uncertainty for schools. Premature and detrimental actions by schools which will not be to the benefit of pupils' education must be avoided.

Role of local authorities

The NASUWT has noted that the DfE is unhelpfully pre-empting some critically important issues in relation to the future funding of schools, not least with regard to the future role of local authorities.

The Government's White Paper: *Educational Excellence Everywhere* sets out a newly defined role for local authorities. Under the proposals, they will take on a more focused and clearly defined remit, with the Government's intention that they can concentrate on delivering their core functions. The local authorities' education duties will focus on three areas:

- a. ensuring every child has a school place;
- b. ensuring the needs of vulnerable pupils are met;
- c. acting as champions for all parents and families.

This should be a matter that is open for consideration and comment in the context of the DfE funding consultation. Responses to the consultation, particularly responses by local authorities, should make clear the value, importance and necessity of local authorities retaining a clear strategic role in the funding arrangements for schools and the benefits arising from this for:

- ensuring continuity and coherence of education and related services to children and young people;

- ensuring equality of opportunity for all children and young people in every local area;
- ensuring accountability to local parents/carers and communities;
- securing efficiency and value for money;
- enabling timeliness of response to changing local needs, circumstances and developments.

Proposed formula factors

The DfE proposes to keep 11 of the current 14 factors, losing Local Area Coordination (LAC), post-16 and mobility. They will add a new 'growth' factor.

The DfE consultation focuses on the factors to be used. These fall into four areas:

1. A per pupil amount for KS1 and 2, and KS3 and 4

The DfE is consulting on the ratio between KS1 and 2, KS3 and 4.

Local authorities currently, in consultation with their schools forums, have set significantly different ratios between primary and secondary, dependent on their local needs. Moving to a nationally determined ratio between primary and secondary would remove this local discretion.

Any change has the potential to create greater turbulence, particularly for those local authorities whose ratio is significantly different to that set nationally. This will not be apparent until after the second stage of the consultation.

2. Additional needs factors to include:

- a. Deprivation*
- b. English as an additional language (EAL), and*
- c. Prior Attainment*

The NASUWT position is that the funding formula must reflect the additional costs related to pupil deprivation, socio-economic circumstances, school location and setting. However, there are questions over the use of data in the factors, whether they are truly robust and whether they adequately reflect levels of need. The NASUWT would therefore prefer the use of factors in combination so as to minimise any discrepancies.

One of the issues is that the Income Deprivation Affecting Children Index (IDACI), and the Index of Multiple Deprivation (IMD) from which it stems, only change every five years and this can cause significant turbulence. There were large changes in the recently published 2015 IMD compared with those from 2010. This resulted in some local authorities having to significantly modify their local formula to cushion the changes, so that schools did not see an unmanageable change in their budgets. This local flexibility will be lost under a funding system that provides funding directly into schools.

There are issues with eligibility regarding Free School Meals (FSM), partly because of Universal Infant FSM, which means parents do not have to register. There is also an unknown effect arising from the move to Universal Credit.

EAL funding is determined on the basis of census data that records whether or not a pupil's first language is English. As such, it is not a precise measure of language proficiency at pupil level. Pupils can be identified in the census as EAL when they are bilingual and have no specific need of support to access mainstream education in English.

Whilst the NASUWT would expect the formula to include a Prior Attainment factor, the Government is proposing to use as the baseline the early years foundation stage profile (EYFSP), which is completed by the end of the reception year. This will become non-statutory from September 2016, and it is unclear how this factor can be continued to be used after that date.

For secondary schools, the data source for prior attainment is pupils' attainment at Key Stage 2. Pupils would attract low prior attainment funding if they did not attain level 4 in English or maths at Key Stage 2. But from Summer 2016 there will be new Key Stage 2 tests, which will give rise to further uncertainty over the impact on funding allocations.

3. School costs, to include:

- a. *Sparsity*
- b. *Lump sums*
- c. *Rates*
- d. *(Private Finance Initiative) PFI*
- e. *Split sites*
- f. *Growth*

Whereas the NASUWT could accept that a local authority's formula would have to address these issues, there is a difficulty over national arrangements to determine funding levels using a 'hard' formula where funding is allocated directly to schools without access to local knowledge.

4. An area cost adjustment (ACA)

The Government is proposing to use the hybrid ACA that it used to allocate the £390m 'fair funding' money in 2015-16. The NASUWT believes that there are questions about this as it moves away from the previous adjustment which was based on a general labour market (GLM) measure.

Other formula factors

The Government is proposing to target support for looked-after children through the Pupil Premium Plus, rather than include a looked-after children factor in the national funding formula.

The NASUWT believes that this money should be ring-fenced and used for the purpose for which it is intended. The Government is also proposing not to include a factor for mobility. In 2015-16, 65 local authorities chose to use a mobility factor, spending £24m in total. This is another factor that local authorities can use to address local issues. Although it may only affect a small minority of schools, particularly near to armed forces bases, it can have a major effect on the ability of schools to meet the needs of their pupils. The NASUWT would therefore want this factor to continue in local formulae.

Other consultation issues

Minimum Funding Guarantee (MFG)

The DfE intend to keep the MFG at -1.5% for the aggregated allocations to local authorities but is seeking views on whether a local authority can have a faster rate allowing for greater loss.

The NASUWT would support the ability of local authorities to be permitted the flexibility they need to cushion schools experiencing significant financial loss. However, it is essential that the Government confirms how these arrangements would operate in practice and there is an expectation that schools forums and schools would be required to support the implementation of these flexibilities.

High-needs funding

The Government is proposing that the high needs block will be formula driven rather than based on current spending patterns as now.

The NASUWT is concerned that allocations will be determined by use of proxy factors rather than local authorities' assessment of need. The DfE argues that this is intended to prevent perverse incentives (e.g. local authorities artificially increasing the number of assessed SEN pupils to draw down more funding). However, proxy indicators represent a crude instrument which may fail to recognise or take account of the precise nature of needs and circumstances of pupils and the implications of this for how pupils with SEN are to be supported.

There are five indicator factors proposed:

- **Prior attainment**

The Government proposes to use reading below level 4 at KS2 and less than 5 A*-G at GCSE for KS4 as factors. The NASUWT recognises that these measures are widely used, but questions their validity in relation to determining funding allocations to local authorities.

- **Health and Disability**

The Government proposes to use Disability Living Allowance and Children in Bad Health indices as factors.

- **Deprivation**

The Government proposes to use IDACI and FSM in combination. The NASUWT has long-standing concerns about the accuracy of these indicators of socio-economic need.

- **Population**

The Government also intends to apply a population factor assessing the number of 2-18 year olds, providing a basic entitlement counting the number of pupils in special schools and an element for hospital education based on current actuals.

- **2016-17 Spending Level**

The DfE consultation indicates that the Government will take into account current local authorities' levels of spend on SEN, which will provide a baseline for allocations over a five-year period to give local authorities time to plan and implement infrastructure and other changes in future provision that can benefit children with SEN coming into the system.

The DfE proposes to remove the notional SEN budget from school budgets and will consult on how schools should fund their SEN provision. The NASUWT has concerns about the future transparency of funding for SEN.

The DfE is consulting on whether 'approved' independent special schools can apply for the £10,000 place funding. Currently, the whole amount comes from local authorities' high needs budgets. The NASUWT has concerns about this as it potentially transfers more money for education into the private sector. Although many independent special schools are charitable trusts that do not make a profit similar to the non-maintained special schools, others are profit-making businesses. If this was carried through, the NASUWT would expect that such funding could only be given to schools on the non-maintained special schools list so that there could not be any profit.

Appendix 1

NASUWT position

The NASUWT has set out its position in relation to the principles that the Union will use to test any reforms to the school funding methodology.

The NASUWT considers that it is the responsibility of the Government to design a fair system of school funding. Nevertheless, to ensure fairness and equity of entitlement for all pupils, the NASUWT believes that the funding mechanism for schools must:

- i. provide equality of opportunity and equitable access for all learners, including through the provision of a broad and balanced curriculum, and contribute to raising educational standards for all pupils and narrow the achievement gap;
- ii. ensure that all schools are funded on the same basis, irrespective of their legal or governance status, which should not result in anomalies between schools where their needs and circumstances and the expectations upon them are the same;
- iii. reflect the additional costs related to pupil deprivation, socio-economic circumstances, school location and setting;
- iv. ensure the provision of, and access to, high-quality education and related support services for children and young people, including vulnerable children;
- v. provide equality of entitlement for all learners to be taught by qualified teachers and for the recruitment, retention and development of a world-class workforce in every school or setting as critical components in delivering better outcomes for all children, and that these entitlements must not be based on parents' ability to pay;
- vi. be clear and transparent so that school budgets are based upon clearly identified and agreed sets of expectations about what work schools should do and the performance expectations that will apply to them;
- vii. enable fair, open and easy comparisons to be made with regard to the income and expenditure of different institutions or sponsors;
- viii. be fit for purpose, taking account of local circumstances and needs and the expectations on schools and local authorities, while promoting public and professional confidence in the system;
- ix. be sufficient in ensuring that the global amount available for the funding of schools takes full account of education priorities and needs and promotes fairness, equity, inclusion and social cohesion;
- x. ensure that changes to the funding for schools do not result in detriment to colleges or early years provisions, which are also essential in providing education for school-aged pupils;
- xi. be responsive to changing needs and circumstances;
- xii. be predicated on consultation and democratic involvement at national, local and institutional levels, including full recognition of school workforce trade unions;
- xiii. promote stability for schools and enable schools to plan and organise their priorities in the longer term, and help to minimise turbulence;
- xiv. support the best use of resources, through arrangements for strategic planning of local provision, institutional collaboration, economies of scale and the pooling of resources to meet locally identified educational needs; and
- xv. ensure that schools in receipt of state funding should not be able to make a profit and that they demonstrate the provision of good value for money.